



U.S. CONSUMER GOODS

EXPORTING THE GOOD LIFE

by The Office of Consumer Goods, Trade Development

The United States is a leading producer and exporter of a wide variety of consumer goods including processed food, beverages, furniture, appliances, motorcycles, boats, marine engines, printing, publishing, sporting goods, jewelry, toys and tableware, among others.

Industries covered by the International Trade Administration's (ITA) Office of Consumer Goods employ roughly 4.4 million Americans or 24 percent of total U.S. manufacturing employment.

Exports from these industries account for more than \$54 billion or 8 percent of U.S. manufacturing exports. Imports of these products, at \$121 billion, amount to approximately 12 percent of all U.S. manufacturing imports.

Today, many U.S. manufacturers of consumer goods face intense competition from countries with lower labor costs not only in the domestic market, but in foreign markets. This competition is especially acute for firms that produce standardized products using mature, labor-intensive technologies commonly available throughout the world. Nevertheless, many U.S. consumer goods manufacturers are fully competitive in the global marketplace because consumers worldwide value

the superior design, quality, technology or other attributes.

ADVOCATE AND SUPPORTER OF INDUSTRY

The Office of Consumer Goods (OCG) is one of several industry offices within the International Trade Administration that specialize in responding to the needs of U.S. industries in the international marketplace. Analysts cover both durable and non-durable goods. Each provides analysis of competitiveness of U.S. industries, identifies tariff and non-tariff barriers to U.S. exports, participates in bilateral and multilateral negotiations to ensure consumer goods industries receive fair treatment abroad and provides research on promising

export markets for consumer goods products. Additionally, analysts work together with export promotion specialists to encourage companies to participate in trade shows and other promotional events designed to gain market exposure for U.S. products overseas.

MARKET OPPORTUNITIES AND CHALLENGES

The Office of Consumer Goods provides information and assistance on more than 100 industries within the classification of consumer goods. Below is an example of market opportunities as well as how analysts work to improve market access and global competition for these industries.

PRODUCING FURNITURE FOR WORLD MARKETS

World markets are increasingly important to the furniture industry. While U.S. exports of furniture totaled almost \$5 billion in 2000, up from \$3.3 billion in 1996, the industry is just beginning to realize its export potential. On average, U.S. manufacturers export less than 10 percent of domestic production. The top export markets are Canada, Mexico, Japan, the United Kingdom and Saudi Arabia. Progress is being made to allow U.S. producers greater access to Latin America, particularly Venezuela, Brazil and Argentina, which represent an area of strong export potential.

Tariffs, however, still remain as prohibitive trade barriers affecting U.S. furniture exports in several countries. Tariff rates in Asia can range as high as 20 to 30 percent, as in Malaysia, while in South America, Brazilian and Argentine furniture tariffs are 21 percent.

Evidence of the efficacy of free trade policies is demonstrated by the tremendous growth in exports that occurred following reduction in tariffs under the Canada Free Trade Agreement (CFTA) and the North American Free Trade Agreement (NAFTA). Prior to the

trade agreements, Canada and Mexico levied furniture tariffs of 15 and 20 percent respectively. Since the CFTA in 1989, U.S. exports of household furniture to Canada increased at a compound annual growth rate of 15.8 percent. After the implementation of NAFTA in 1994, U.S. exports to Mexico increased at a compound annual growth rate of 6.8 percent. Canada and Mexico are now the largest U.S. export markets for household furniture.

The industry also benefitted from tariff elimination in key developed markets during the Uruguay Round. Beginning in 2001, all tariffs on wood and metal household and office furniture have been eliminated in Canada, the European Union, Hong Kong, Japan, Korea, Norway, Singapore, Switzerland and the United States.

Some manufacturers have been very successful in marketing their products abroad despite problems inherent in exporting furniture: size and weight and the differing ways furniture is designed and used in other cultures. Japan has been an excellent market for U.S. furniture, particularly for manufacturers willing to reduce the size of some of their products and to make other product modifications necessary to appeal to Japanese consumers.

BATTLING BOOK BANDITS IN ASIA

The United States is the world's largest publisher of books. It exports many of these books overseas, almost 230 million books last year alone. Asia has high literacy rates and a strong interest in technical and scientific fields. Thus, it is one of the largest potential markets for U.S. English-language books. Asia already encompasses seven of the top 20 export markets for U.S. books, with U.S. exports exceeding \$327 million in 2000. This region also has the dubious honor of being the largest source of book piracy in the world. The industry estimates that Asian piracy cost U.S. publishers an estimated \$282 million in sales in 2000 alone. More importantly, many small and medium-sized U.S. publishers do not even attempt to enter the Asian market due to fears of rampant book piracy.

To combat this problem, OCG supports the publishing industry's initiative to protect U.S. books in Asia. OCG provides the industry's trade association, the Association of American Publishers (AAP), with information on specific cases of book piracy. OCG obtains this information from ITA commercial staff in embassies and consulates abroad and from U.S. publishers who contact ITA



in Washington. The association has used this information and other sources to find actual book pirates and persuade local authorities to raid the facilities of those pirates and to prosecute them.

AAP announced in its March/April 2001 Monthly Report that these efforts have begun to pay off. In what AAP believes is the largest raid in publishing history, Korean authorities found 600,000 counterfeit English-language books worth an estimated \$14.5 million. These books were high-quality counterfeits sold as legitimate books by the book pirate and customers were charged full retail price for the books. The Office of Consumer Goods plans to expand its cooperation with AAP in the future.

BRINGING AMERICAN-STYLE MOTORCYCLES TO INTERNATIONAL CONSUMERS

Harley-Davidson Motor Company is the primary U.S. manufacturer of motorcycles. Other manufacturers include two Japanese-owned production facilities and several much smaller firms. These producers manufacture large-size motorcycles, over 750cc with most of them around 1400cc. Harley-Davidson's motorcycles are mostly

cruiser and touring motorcycles that have a unique appeal worldwide.

World markets are increasingly important to the motorcycle industry. U.S. exports of motorcycles totaled almost \$563 million in 2000, up 20 percent from 1999. U.S. manufacturers export an estimated 30 percent of domestic production. The top export markets are Canada, Japan, Australia and Germany. Japan has been the strongest Asian market for U.S. manufacturers, as Harley-Davidson became the largest supplier of motorcycles with engines over 750cc in 2000 thanks to market opening activities and the unique design and appeal of the products. Other Asian markets also have great potential as these countries have a high per capita usage of motorcycles.

REFORMING MOTORCYCLE ROAD TRAFFIC LAWS IN JAPAN

Beginning in 1994, OCG has led several initiatives to reform outdated Japanese road traffic laws. These laws severely limited the market for large motorcycles like those exported from the United States. In 1996, after a U.S. petition requesting several reforms, Japan instituted motorcycle operator license reforms that improved training and removed restrictive testing requirements. These reforms led to a large increase in the number of qualified riders and to a 30 percent increase

in sales of U.S.-made motorcycles. They also led to a 70 percent reduction in the accident rate for newly licensed riders of large-sized motorcycles. In 2000, the Japanese responded to another U.S. request and raised the motorcycle highway speed limit to equal the automobile speed limit. This reform allows motorcycles to move legally at the same speed as other traffic, enhancing safety.

OCG is continuing efforts to end Japan's prohibition on motorcycle tandem riding (i.e., carrying a passenger) on expressways. No other country in the world bans tandem riding on expressways, which safety research data prove are by far the safest roads for motorcycles. OCG drafted a petition and presented testimony in a subsequent hearing with Japan's Office of Trade and Investment Ombudsman (OTO). The merits of the U.S. position are such that it is supported, not only by European governments and the European motorcycle industry, but by the Japanese motorcycle industry as well.

OPENING THE TAIWAN MARKET TO U.S. MOTORCYCLES: SUCCESS IS JUST DOWN THE ROAD

Large-size motorcycles have long been banned in Taiwan. Although this ban applies to both domestic and imported products, it disproportionately affects the U.S. motorcycle industry. All U.S. motorcycles are larger than the permitted size. In addition, Taiwan's environmental laws do not take account of the unique pollution signature of these large motorcycles.

At U.S. industry's request, OCG made sure that ending the large-sized motorcycle ban was included among U.S. objectives when Taiwan negotiated to become a WTO member. The Taiwanese Government agreed to remove the ban on motorcycles over 150cc upon accession. In addition, Taiwan's Environmental Protection Agency agreed to new emission standards for large-size motorcycles that

Photo courtesy of the Harley-Davidson Motor Company



will be implemented upon accession. This agreement is pending a final vote of WTO members on Taiwan's accession. Should this agreement pass, as expected, U.S. motorcycle manufacturers will be able to sell in a market that has the world's highest per capita usage of motorcycles.

INCREASING U.S. TOY EXPORTS THROUGH INTERNATIONAL STANDARDIZATION

Safety is important to the U.S. toy industry and to countries throughout the world where toys are sold. But if each country were to adopt different safety standards, different toys would have to be made for each market. Costs would skyrocket and trade would be much more difficult.

To overcome this problem, the toy industries in the United States and the European Union, working through the International Organization for Standardization (ISO), drafted a new toy safety standard. To encourage the 21 Asia-Pacific Economic Cooperation (APEC) countries to adopt the standard, the U.S. industry requested OCG's help. These countries are important because the APEC region produces more than 80 percent of the world's toys.

OCG, in collaboration with U.S. industry, arranged for a three-day seminar in Hong Kong to inform attendees about the technical aspects of the ISO standard and encouraged APEC economies to align their toy safety standards to conform to the standard. The APEC seminar attracted 256 participants from fourteen economies. Included were ten APEC economies, namely, Australia, China, Hong Kong, Japan, New Zealand, the Philippines, Russia, Chinese Taipei (Taiwan), Thailand and the United States.

The U.S.-sponsored project resulted in the significant advancement of one of

the U.S. toy industry's key international goals. The seminar provided technical information about the standard, demonstrated testing methods and supplied a forum in which all members of the industry and government officials could openly discuss the standard. All participating countries expressed the desire and willingness to work towards harmonization. In those economies that currently lack a toy standard, full adoption of the ISO was mentioned, thereby encouraging increased U.S. toy exports to these potentially lucrative markets. The adoption of a uniform and transparent standard will reduce the costs of compliance, product testing and enforcement, but more importantly, represents a giant step towards ensuring the safety of toys.

INCREASING OPPORTUNITIES FOR U.S. WINE EXPORTS

Export markets are increasingly important to the \$7 billion U.S. wine industry. In 2000, total U.S. wine exports were \$521 million, up from \$385 million in 1996. These exports could grow to \$800 million by 2006, if export barriers are reduced. OCG is an active participant in two separate initiatives to remove wine export barriers.

New World Wine Producers: OCG has been active in discussions of the New World Wine Producers (NWWP) on reducing wine trade barriers since its inception in 1998. Members of this organization include Argentina, Australia, Canada, Chile, New Zealand, South Africa, the United States and Uruguay. These discussions have resulted in a draft Mutual Acceptance Agreement for wine making (oenological) practices. New Zealand, Australia, Canada and the United States have already initialed the agreement. The next key issue on the NWWP agenda is a wine labeling agreement. These agreements will greatly ease trade among the NWWP countries.

U.S.-EU Wine Negotiations: In 1999, the United States and the European Union began intensive bilateral negotiations to reduce barriers that unnecessarily restrict the trade of wine. OCG participates actively in these negotiations. The most recent negotiating session took place in Brussels in June. Discussions centered on oenological practices, recognition of wine names on labels, U.S. and EU regulatory developments, import certification issues, EU subsidies and tariffs. Resolution of these issues is essential for continued and improved U.S. access to the EU wine market.

GETTING INDUSTRY INPUT DURING TRADE NEGOTIATIONS

The Office of Consumer Goods represents the interests of industry at trade negotiations, solicits input from industry in formulating trade policy and looks to industry for direction in trade promotion. Industry representatives help identify trade barriers that when removed will help firms realize their export potential.

OCG oversees two advisory committees that give industry a forum to bring market barriers to light, confer with negotiators at ITA and USTR during trade talks and at the same time, allow government to get industry perspective on trade issues. The Industry Sector Advisory Committee (ISAC) members develop their industry's specific positions on U.S. trade policy and negotiation objectives and provide advice to officials in the Department of Commerce and the Office of the U.S. Trade Representative. The committees address trade agreements; market access problems; tariff levels; discriminatory foreign procurement practices; electronic commerce, marketing and other advocacy needs of their sector. ISAC members are executives and managers of U.S. manufacturing or service companies involved in international trade or are trade association executives.

OCG industry analysts study U.S. consumer goods industries to learn their competitive strengths and weaknesses and determine which markets have the greatest potential for growth and which barriers are the most significant. They are in regular contact with principal firms and trade associations. OCG will be using this expertise to help set the agenda for future negotiations, such as the U.S.-Chile Free Trade Area, the Free Trade Area of the Americas and the new round of WTO negotiations.

OPPORTUNITIES TO PROMOTE PRODUCTS THROUGH TRADE EVENTS

How can a small or medium size consumer goods company introduce its products to an overseas market? Exhibiting at trade shows can be a cost-effective way to find agents, distributors and customers. Each year, OCG organizes several different USA pavilions and exhibits at major foreign trade shows around the world to showcase American products. Upcoming

OCG trade events are described on the web site www.trade.gov/td/ocg/.

ISPO SUMMER 2001

U.S. sporting goods firms exhibited at the U.S. Product Sample/Literature Center at the most recent ISPO Summer Show. This trade fair took place in July of this year in Munich. The OCG exhibit displayed U.S. products to retail and wholesale buyers from all over Europe. Held annually, ISPO has more than 1,500 exhibitors and attracts more than 40,000 trade visitors. It has become recognized as a key event to reach Europe's sporting goods market.

The Product Sample/Literature Center offers a convenient and affordable way to stimulate sales leads and find representation. It showcases a company's product literature, videos and other visuals. Participating companies need not travel to the show. OCG and overseas U.S. Commercial Service staff plan a high-visibility catalog exhibition and publicize it to potential customers. The

U.S. exhibit is a low-cost and effective way for new-to-export and new-to-market sports equipment companies to introduce themselves to the German and European markets.

GOLF EUROPE 2001

OCG is now recruiting firms to participate in a large Product Sample/Literature Center at Golf Europe, October 7-9, 2001, in Munich, Germany. The services offered will be the same as those described for ISPO above. This annual event is a specialized show for golf course owners and operators. It has become recognized as a key event that fuels Europe's golf market. Major product categories that would benefit from participating in such a show are all kinds of golf equipment, apparel, accessories and other golf-related products. The trade visitors will include retail and wholesale buyers and golf pros from all over Europe. At last year's event, nearly 300 firms from 21 countries exhibited and a total of 5,500 strictly trade-only buyers from 47 countries visited the show. In Germany alone, sales generated by golf equipment, clothing and accessories grew to more than \$165 million in 1999. Retail sales rose by 16.3 percent compared with 1999. The German golf market is the fastest growing and is now the fifth largest foreign market for U.S. golf equipment exports. Excellent opportunities exist for U.S. golf companies in the German and European golf markets. The sophisticated, quality-conscious German market highly regards U.S.-made golf equipment. In Germany, trade fairs play a major role in product marketing. For more information please contact Ludene Capone (e-mail Ludene_Capone@ita.doc.gov).

FRANKFURT BOOK FAIR

Prospective distributors, buyers and rights licensees from all over Europe and the world descend on Frankfurt, Germany every year. They seek the best books offered by the biggest and smallest publishers worldwide. For the 2001 show, to



Photo courtesy of the Office of Consumer Goods

Ludene Capone (center) displays U.S. golf merchandise at the Golf Europe 2000 exhibition in Munich, Germany. Seven U.S. companies participated sending products and literature that were displayed to 5,500 visitors from 47 countries.



be held October 10-15, OCG will sponsor a by-the-book exhibition open to all U.S. publishers, but highlighting U.S. minority publishers. Each book will be displayed full face to attract the attention of trade visitors. Participating companies need not travel to the show. OCG and overseas U.S. Commercial Service staff plan and publicize the U.S. exhibit. They will translate information about the publisher and the book for foreign visitors. OCG collects information on agents or publishers interested in importing books or purchasing translation rights and sends it to the U.S. company. The U.S. exhibit is a low-cost and effective way for new-to-export and new-to-market publishers to introduce themselves to a world wide market.

The Frankfurt Book Fair is an ideal venue to find foreign publishers. It offers more than 380,000 books published by more than 6,600 individual exhibitors and 80 national exhibitions representing more than 110 countries. English-language books are increasingly important in Europe. The Frankfurt Book Fair is host to one of the world's largest exhibitions for such books, devoting an entire hall to English-language books. Last year, more than 300,000 trade professionals visited the fair, making the Frankfurt Book Fair the largest and most important trade show in the industry.

U.S. books have significant growth potential in Europe, with current sales equaling only a small part of the entire European book market. For example, the combined size of just the French, German and British book markets totals more than \$4 billion.

For additional information on the Frankfurt Book Fair, please contact Nate Herman (e-mail Nate_Herman@ita.doc.gov).

PROVIDING ESSENTIAL INFORMATION AND ANALYSIS FOR U.S. COMPANIES

All of this work depends upon the expertise of OCG industry specialists. These experts analyze trends in production, employment and imports and exports for consumer goods industries. Much of this work provides specialists with the expertise to represent consumer goods interests at the negotiating table. In addition, this expertise is made available directly to U.S. companies. OCG contributes several chapters to the Department of Commerce's U.S. Industry & Trade Outlook, including Footwear, Leather and Leather Products, Household Consumer Durables, Other Consumer Durables, Printing and Publishing, Processed Food and Beverages and Recreational Equipment. These chapters present a comprehensive overview of each of the covered industries, including its present status and outlook for the next five years.

OCG's web site www.trade.gov/td/ocg/ provides trade statistics and other information, updated quarterly, for most major consumer goods industries. OCG analysts respond every week to dozens of information requests from U.S. business and others. This data and information allow consumer goods companies, many of whom are small and medium-sized enterprises, to make better informed business decisions. They are also valuable resources for academia and policy makers. ■

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*National Marine Manufacturers Association
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